GOVERNMENT OF INDIA
COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:5231
ANSWERED ON:29.04.2005
AUDITING OF ACCOUNTS OF VANISHED COMPANIES
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Will the Minister of COMPANY AFFAIRS be pleased to state:

(a) whether a large number of companies whose accounts were duly audited by chartered accountants have vanished;

(b) if so, the number of such vanished companies during each of the last three years till date;

(c) whether investor body has demanded an investigation into the auditor`s role in such vanishing companies;

(d) if so, the details of the action taken by the Government against such companies as well as on chartered accountants during the said period; and

(e) the steps taken by the Government to check the recurrence of such activities in the future?

Answer

MINISTER OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA)

(a) Yes Sir. At present, 115 companies stand identified as vanished companies.

(b) No such case meeting the criteria agreed to by Ministry of Company Affairs and Securities & Exchange Board of India for treating a company as vanished, has been reported/noticed during the last three years.

(c) & (d) Midas Touch Investors Association had taken up the matter with the Institute of Chartered Accountants of India (ICAI) which is a statutory body set up under the Chartered Accountants Act, 1949, for investigation into role of Chartered Accountants of `Vanishing Companies` and sought action by ICAI against those Auditors who were negligent and/or violated the Code of Conduct.

Cases in respect of certain Chartered Accountants/ Auditors are under process in accordance with statutory provisions.

(e) Following steps have been taken in this direction:

i) A Coordination & Monitoring Mechanism between Ministry of Company Affairs and Securities & Exchange Board of India has been put in place to continuously monitor this phenomenon.

ii) Prosecutions have been filed against the unscrupulous companies, their promoters/directors under various provisions of the Companies Act. Similarly, action has also been initiated by filing First Information Reports against these promoters/ directors under the Indian Penal Code. These steps are likely to act as deterrents for others as well.

iii) Securities & Exchange Board of India has debarred the promoters/ directors of Vanishing Companies from entering the Capital Market for a period of five years.